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SUBJECT: MADRID WEEKLY ECON/COMMERCIAL UPDATE - FEBRUARY  
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#### Mortgage Issuance Down by a Third in December

[11](#). (U) More evidence of the slowdown in housing came with the announcement that 32 percent fewer mortgages were issued in December 2007 than in December 2006. The average value of mortgages issued in the month also declined, by 2 percent to 144,000 euros, but it is not clear whether that represents a decline in housing prices, a change in the type of housing being built, or a change in the percentage of a unit's value that mortgages cover. Issuance of permits for new housing showed a similar trend, with December's total 40 percent below that of December 2006. (El Pais, 2/27/08)

#### Sovereign Wealth Fund Offers to Buy Real Estate Firm

[12](#). (U) The Investment Corporation of Dubai (ICD) has offered to buy the troubled real estate developer Colonial for a little over three billion euros (usd 4.5 billion). The main stockholders, Luis Portillo and the Nozar company, are holding out for more money. New York and London investment funds are reported to be interested in Colonial if the ICD offer fails. (Comment: The role of sovereign investment funds has not so far been the subject of political debate in Spain. More likely than not, there would be widespread relief if a purchaser were found for Colonial. However, a political debate would likely emerge were a sovereign wealth fund attempt to buy any firm that could loosely be considered a "national champion," such as Telefonica or Repsol.) (Expansion, 2/28-29/08)

#### 2007 Corporate Profits Announced

[13](#). (U) Corporate profits, while generally healthy, are providing additional evidence of the economy's slowing growth. With nearly all of the Ibex 35 stock market blue-chips having reported 2007 figures, it appears that the blue-chips increased profits by 15 percent over their 2006 levels, well below 2006's 31 percent increase. 34 of the 35

companies made profits, but 10 earned less in 2007 than in 2006. Telefonica had the largest sales, with 57 billion euros, just ahead of Repsol's 54 billion. The most profitable companies were Banco Santander (9 billion euros, up 19 percent), Telefonica (8.9 billion, up 43 percent), and BBVA (6.1 billion, up 29 percent). (El Pais, 2/29/08)

#### Prisa Group Aims to Expand in the U.S

14. (U) The Chairman of the group, Ignacio Polanco, says Prisa wants to expand in the U.S., and not just in the Spanish-speaking market. Currently, Prisa is negotiating with the UK private equity group 3i to expand the group's radio network beyond Los Angeles and Miami. Prisa, through its publishing house, Santillana, is already a leader in school textbooks in Latin America (including in Portuguese-speaking Brazil) and now wants to get into English-language school textbooks in the U.S. Polanco is reportedly an admirer of big media groups in the U.S.: "In spite of the difference in size, they are the mirror we use to measure ourselves." Prisa is best known for being the owner of Spain's leading daily, El Pais. It owns 50% of the satellite pay-TV platform, Sogecable, and Spain's leading radio station, Cadena Ser. The group also has a stake in Le Monde and has assets in Latin America, the U.S., and Portugal. The Prisa Group is controlled by the Polanco family. The 53-year-old Ignacio Polanco took over the reins after his father died last year. (Comment: The Prisa Group is best known in Spain as the owner of the slightly left of center El Pais, i.e. "liberal" in the U.S. context. Clearly, however, Polanco's main focus is commercial with a view to breaking into the English-speaking world.) (Financial Times/2/26/08)

#### Ambassador Aguirre Remarks on NAFTA, Trade, and IPR

15. (U) On February 27, Ambassador Aguirre spoke to a group of

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prominent business leaders at the Circulo de Empresarios, one of Spain's leading business associations. He spoke at a ceremony in honor of a Circulo study on Spanish business in and with the NAFTA countries. Along with the Ambassadors of Mexico and Canada, Ambassador Aguirre described the benefits of the NAFTA and encouraged Spanish investment in North America. He also discussed trade liberalization in general, emphasizing the importance of a successful conclusion of the Doha Round and of strengthening IPR protection. His remarks received positive press coverage. (Embassy)

#### New Wave of ETA Extortion Letters to Basque Businessmen

16. (U) The Basque terrorist group ETA sent Basque businessmen a new wave of extortion letters in February. Police sources believe that over 100 letters may have been sent, in line with the group's monthly average in recent years. The terrorist group has organized Basque businessmen into three categories; those they want to pay part of what they earn "by exploiting the workers" (Note: ETA is a Marxist group), those who do not consider the Basque conflict their business, and those who "gladly contribute to maintain the current situation of oppression." The Basque government and the region's leading business group called on recipients not to submit to ETA extortion, and the Spanish vice minister of Interior, Antonio Camacho, called the letters a form of terrorism that would be investigated. (El Pais, 2/28-29/08)

#### GOS Wants to Expand Cargo Radiation Scanning Program to 28 Marine Ports

7.(SBU) As a result of Spain's favorable experience with the Megaports initiative, a DOE NNSA program to detect illicit nuclear and radioactive cargo at ports, the GOS recently decided to expand this concept to up to 28 ports across Spain. Working with NNSA Megaports experts, the GOS would first expand to Barcelona and Valencia and then use the

expertise gained from this experience to expand to other ports across Spain. Barcelona and Valencia will begin operating their radiation detection programs in 2009 if all goes well.

AGUIRRE